

**United States Environmental Protection Agency
Criminal Investigation Division
Investigative Activity Report**

Case Number

0506-0026

Case Title:

Ferguson Enterprises Inc.

Reporting Office:

Detroit, MI, Resident Office

Subject of Report:

Interview of (b)(6), (b)(7)(C) DWSD Security Division

Activity Date:

June 13, 2012

Reporting Official and Date:

(b)(6), (b)(7)(C)

Resident Agent in Charge

23-JUL-2012, Signed by (b)(6), (b)(7)

Approving Official and Date:

(b)(6), (b)(7)(C)

Special Agent in Charge

25-JUL-2012, Approved by (b)(6), (b)(7)
Assistant Special Agent in Charge

SYNOPSIS

On June 13, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7)(C) Assistant Chief of Security, Detroit Water & Sewerage Department, regarding the evaluation, awarding and execution of contract DWS 844A (Security Contract).

DETAILS

On June 13, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7)(C) Assistant Chief of Security, Detroit Water & Sewerage Department, regarding the evaluation, awarding and execution of contract DWS 844A (Security Contract). (b)(6), (b)(7)(C) was interviewed at the office of the Detroit Law Department. After being informed of the identity of the interviewing agent and the purpose of the interview, (b)(6), (b)(7)(C) provided the following information:

(b)(6), (b)(7)(C) has been employed with the DWSD for 30 years, and has been the Assistant Chief of the Security Division for the past 13 or 14 years.

(b)(6), (b)(7)(C) was a part of the team which developed the request for proposal and technical specifications for DWS 844 which later became DWS 844A. (b)(6), (b)(7)(C) also was a member of the evaluation team which reviewed the technical bids. (b)(6), (b)(7)(C) role was to represent the Security Division from the end user perspective. (b)(6), (b)(7)(C) then oversaw the execution of the contract, again from the end user perspective. Eventually, (b)(6), (b)(7)(C) was responsible for approving contractor payments after (b)(6), (b)(7)(C) division encountered significant problems with the work performed by the contractor. (b)(6), (b)(7)(C) commented that (b)(6), (b)(7)(C) asked for this responsibility so that (b)(6), (b)(7)(C) would have leverage on the contractor to get the work done properly.

During the evaluation phase of 844A, (b)(6), (b)(7)(C) supported awarding the contract to Motor City Electric (MCE). (b)(6), (b)(7)(C) cited the fact that (b)(6), (b)(7)(C) was involved in writing the specifications for the bid and knew what the Security Division needed out of a security system for its facilities. (b)(6), (b)(7)(C) characterized MCE's bid as technically superior and the lowest price.

(b)(6), (b)(7)(C) attended a Board of Water Commissioners (BOWC) meeting expecting the contract to be awarded to MCE, as that is what the evaluation committee recommended to the DWSD Director, (b)(6), (b)(7)(C). However, when the contract was brought to the table (b)(6), (b)(7)(C) got up and told the BOWC that there was a need to negotiate with two bidders. (b)(6), (b)(7)(C) told the BOWC that the negotiations would ensure that the contract met the needs of the DWSD, citing the fact that in the past there were discrepancies in whether the specifications of MCE were accurate. (b)(6), (b)(7)(C) was "very much surprised" when (b)(6), (b)(7)(C) did this as it was the first time (b)(6), (b)(7)(C) heard of any problems with

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MCE and (b) personally did not feel there was a basis for (b)(6), (b) statement.

At the time (b)(6), confided to (b) supervisor, Chief (b)(6), (b) (7) that (b) felt the contract awarding was being steered toward a certain decision. (b)(6), (b) of PMA was a vocal point in the evaluation process and (b)(6), felt (b) was a part of the effort to steer the contract to DFT. (b) questioned (b)(6), as to why (b) was questioning DFT's qualifications. The negotiation and evaluation process (b)(7) took over a year to complete. The rationale used to eliminate MCE was that they couldn't meet the time line set by the department for the completion of the work. (b)(6), felt that the additional items added by the department would have prevented any contractor (b)(7) from completing the contract work by the set deadline. However, DFT said that they could do it while MCE said it would take additional time and thus money. (b)(6), commented that the setting of the deadline with no cost increases was pre-textual and intended to rule MCE out of the process.

SA (b)(6), (b) (7) asked (b)(6), to review a chain of emails which discuss a potential delay with 844A due to the awarding of the contract for the Opteman system. (b)(6), recalled the discussion and said that the Opteman awarding and installation was a consideration in determining whether a contractor could meet the DWSD imposed deadline. MCE had a very valid position given the additional work added to the contract post bid and the uncertainty of the installation of the Opteman system by another contractor. These factors are what led (b)(6), to characterize the awarding of the contract to DFT over MCE as pre-textual.

(b) wrote the rejection letter to MCE which (b)(6), felt was unusual. (b)(6), added that (b)(6), role in this process was over the line. (b)(6), (b) (7) also had an enhanced role in the oversight of the evaluation process. (b)(6), gave a speech at the beginning of the evaluation meetings about how each of the evaluators (b)(7) was handpicked by Deputy Director (b)(6), (b) (7). (b)(6), frequently came to the evaluation meetings and gave talks about the evaluation process. (b)(6), felt that this level of interest in the progress of the evaluation process was unusual and felt (b)(6), was there to get intel on which contractor the committee was leaning towards.

There were numerous problems with the security system installed by DFT. The original specifications called for the contractor to install the systems at four sites at a time, thus minimizing how many sites the contractor was working on at once. DFT chose to perform the same task at each site at the same time: concrete all at once, etc. This caused significant lapses in time between construction being performed at each site and a lack of coordination between subcontractors. (b)(6), recalled attending what was supposed to be an internal departmental meeting to discuss the various problems (b) division was experiencing with the on-going installation of the system only to find DFT representatives present.

(b)(6), never got completed design drawing from DFT, only partial plans for what the contractor (b)(7) wanted to do, thus as the end user representative (b)(6), was never able to evaluate the final plans. The prior contract (844) had completed designs of the system which had not changed for 844A. These designs were completed by Black & Veatch, a large construction engineering firm which was the contracted design consultant. Black & Veatch was still a part of the 844A process and the local contact was (b)(6), (b) (7). Spalding DeDecker was also a design resource available to DFT and the DWSD. Representatives from Black & Veatch and Spalding started to voice their concerns over DFT's execution of the contract. Both of their as needed contracts were suddenly cancelled.

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It got to the point where (b)(6), asked for approval authority of all payments to DFT on this contract. (b)(6), did this in order to have leverage over the contractor to get things done correctly. (b)(6), asked for this authority in the last six months of the contract and was granted it by (b)(6), and (b)(6), (b)(7)(C) then started to question (b)(6), on why (b)(6), was holding up the contract. (b)(6), explained to (b)(6), (b)(6) that (b)(6), was just trying to get the department its moneys worth. (b)(6), asked (b)(6), (b)(6) "don't you want that?" to which (b)(6), (b)(6) replied "yes" but that (b)(6), wanted the contract to end as soon as possible.

(b)(6), explained that some of the problems with the security system have not been fixed to this day. (b)(6), confirmed that the substantial completion date was met in January of February of 2007 and not the date specified in by the contract.

M343 was a contract held by DCI for the installation of perimeter security fencing and monitors and was executed between 2002 and 2004. The DWSD engineers wanted to add five water intake plants and the Belle Isle plant to this contract but (b)(6), told them that the systems were not needed given the existing security systems and pointed out that the fencing at two of the plants could not support the perimeter security components. (b)(6), documented this position in a letter to the Security Chief. Moreover, the DCI proposal for this additional work consisted of hand drawn diagrams and contained designs that didn't make sense. This change order was scuttled. Later on, the same work was proposed as a change order under 844A. (b)(6), again objected to the work. (b)(6), returned to work after the Christmas break of 2005 and found that the DWSD had created and approved a change order for this work under DWS 812. (b)(6), (b)(7)(C) told (b)(6), that "they" pushed it through over the break. (b)(6), contacted (b)(6), (b)(7) and asked how DCI was going to put perimeter sensors on existing fencing that was falling apart at two of the plants? (b)(6), told (b)(6), that they will reinforce the two fences. After the sensor system was installed the two fences did in fact fall down and are currently still down.

(b)(6), came to work one day and attempted to access (b)(6) email folder titled "844A" but discovered that the entire folder contents had disappeared. (b)(6), (b)(6) sent a request to (b)(6), of IT to restore the emails but never received a response nor were the emails restored. (b)(6), (b)(7)(C) noted that the 844A related emails contained in (b)(6) sent folder were not deleted.

The Opteman system was needed because some facilities could not connect to the business network. (b)(6), commented that it was well known that the Opteman system was needed. The process of implementing Opteman was delaying 844A and its launch was more expensive than the money allotted to the existing AT&T contract.

(b)(6), was asked about the circumstances surrounding (b)(6) deposition in the Special Master's investigation. All of the staff to be deposed assembled in the 16th floor conference room but were then taken down to the 5th floor together. The door to the room was open as was the door to (b)(6), (b)(6) office which was nearby. (b)(6), characterized the situation as intimidating knowing that (b)(6), (b)(6) could over hear the deposition and that it was not a conducive environment. (b)(6), remarked that the attorneys did not ask the correct questions of the DWSD staff.

(b)(6), was asked if (b)(6), (b)(6) said under oath in (b)(6) deposition that the 844A contract was executed on time and under budget would that be an accurate statement. (b)(6), replied no, it was definitely

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not on time and not on budget.

According to (b)(6), every mistake made by the contractor the department paid to fix. One example of this is the card readers which were installed by the DFT team in the wrong location. The readers were too close to the motion detectors so when a car pulled up to the reader the front of the vehicle set off the motion detector alarm. A change order was submitted by DFT to correct this problem to which (b)(6), protested the approving of. DWSD project manager (b)(6), (b)(7)(C) did not object to the change order and would frequently mimic what the DFT representative said. It was clear to (b)(6), that (b)(6), was getting (b) orders from someone else in the department on how to handle these issues. (b)(7)(6), was not aware of a change order under PC 747 for the migration of the 844A system to the business network.

Stanley/Best Access is a small IT firm which had limited experience prior to working on 844A. (b)(6), (b)(7) was the assigned employee for this project and was directed not to speak to (b)(6), or (b) staff directly. Knowing the firm's limited experience (b)(6), refused to let them work alone as they were accessing the Security Division's network in order to execute their work under 844A. (b)(6), was eventually threatened by (b) boss not to talk to (b)(6), or (b) be fired. DA Central eventually replaced Stanley/Best Access. DA Central was already the IT maintenance contractor for the Security Division. DA Central was made to sign a confidentiality agreement with DFT and DCI in order to do this work which included limiting their discussions with the Security staff.

During (b) first meeting with (b)(6), (b) (b) told (b)(6), that when they interacted it would be face to face, no email was to be sent, no text messages, and directed (b)(6), not to write anything down, but instead to come and see (b) Chief (b)(6), was also present at this meeting.

(b)(6), (b) asked (b)(6), to have the Security division sweep (b) office for listening devices. (b)(6), explained to SA (b)(6), (b)(7) that (b) division does not have the capability to do this so (b) (b)(7) used DA Central. (b)(6), recalled that (b) was asked to have (b)(6), (b) office swept at least twice and did so both times. (b)(6), has never been asked by another DWSD Director to have (b) office swept for listening devices.